

NORTH CENTRAL REGIONAL PLANNING COMMISSION

**FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED MARCH 31, 2014

NORTH CENTRAL REGIONAL PLANNING COMMISSION

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INDEPENDENT AUDITORS' REPORT

Executive Board Members
North Central Regional Planning Commission
Beloit, Kansas

Report on the Financial Statement

We have audited the accompanying summary statement of receipts, expenditures, and unencumbered cash of the North Central Regional Planning Commission (Commission), a Municipality, as of and for the year ended March 31, 2014 and the related notes to the financial statement, which collectively comprise the Commission's basic financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of a financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards and guidance require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Commission to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Commission as of March 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Commission as of March 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures, and unencumbered cash (basic financial statement) as a whole. The individual fund schedules of regulatory basis receipts and expenditures and schedule of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of expenditures of federal awards (see Single Audit Section in the table of contents) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statement.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The 2014 information has been subjected to the auditing procedures applied in the audit of the 2014 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 basic financial statement or to the 2014 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 supplementary information is fairly stated in all material respects in relation to the 2014 basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2014, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Pottberg, Gassman & Hoffman, Chtd.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
November 19, 2014

NORTH CENTRAL REGIONAL PLANNING COMMISSION
SUMMARY OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
FOR THE YEAR ENDED MARCH 31, 2014

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Fund:							
General Fund	\$ 512,694	-	\$ 5,131,238	\$ 5,107,838	\$ 536,094	\$ 24,689	\$ 560,783
Special Purpose Fund							
Revolving Loan Fund	199,761	-	228,746	179,460	249,047	-	249,047
Total Reporting Entity	\$ 712,455	\$ -	\$ 5,359,984	\$ 5,287,298	\$ 785,141	\$ 24,689	\$ 809,830
Composition of Cash							
					Checking Accounts Certificates of Deposit		\$ 607,438
							202,392
					Total Reporting Entity		\$ 809,830

The notes to the financial statement are an integral part of this statement.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

NOTES TO THE FINANCIAL STATEMENT

MARCH 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Municipal Financial Reporting Entity

The North Central Regional Planning Commission (Commission) was created under provisions of K.S.A. 12-2901 *et seq.* per resolutions, and presently serves a twelve-county area of North Central Kansas. The purpose of the Commission is to support the activities of member counties and cities, giving local leadership access to information and technical expertise, which would otherwise be unavailable in a truly rural setting.

The Commission was officially recognized as the Regional Planning Commission for the area in March 1972. Membership consists of county and / or city governmental units. The Governing Board is composed of one representative of each county commission or municipality, as well as private sector and at-large representatives. Total executive board membership on March 31, 2014 was sixteen.

B. Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific regulations, restrictions, or limitations. Certain funds contain restricted cash because their use is limited by debt covenants, statutory requirements, grant requirements or are held in a fiduciary or agency capacity.

The following types of funds comprise the financial activities of the Commission for the year ended March 31, 2014:

General Fund – the chief operating fund of the Commission. This fund is used to account for all financial resources not accounted for in other funds and is therefore, unrestricted.

Special Purpose Fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

C. Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

NOTES TO THE FINANCIAL STATEMENT

MARCH 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. Budgetary Control

The Commission's management prepares a budget of estimated receipts and expenditures annually for the ensuing fiscal year. The annual operating budget is adopted, but is for internal management use only. State of Kansas statutes do not require the Commission to prepare or submit a legal budget.

Spending is controlled by federal regulations, other statutes, or by use of internal spending limits established by the governing body. A comparison of actual receipts and expenditures and budget amounts is presented as supplemental information.

E. Encumbrances for Grants

The Commission is a quasi-governmental entity that is not required to prepare a legal budget. Due to the Commission having federal awards that cover multiple years and contracts that are signed in advance of work, encumbrances are not recorded for these items. In addition, expenditures made prior to the start of the grant are not allowed for reimbursement.

F. Date of Management's Review

Management has evaluated subsequent events through November 19, 2014, the date on which the financial statements were available to be issued.

NOTE 2 - DEPOSITS

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Commission has no designated 'peak periods.' All deposits were legally secured at March 31, 2014.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

NOTES TO THE FINANCIAL STATEMENT

MARCH 31, 2014

NOTE 2 – DEPOSITS, continued

As of March 31, 2014, the Commission's carrying amount of deposits was \$809,830 and the bank balances totaled \$997,309. Of the bank balances, \$500,000 was covered by federal depository insurance and \$497,309 was collateralized with securities held by the pledging financial institution's agents in the Commission's name. The bank balances at 2 banks exceeded federal depository insurance corporation (FDIC) limits. The balance in excess of FDIC limits at one bank was more than 5% of total bank balances which results in a concentration of credit risk per GASBS 40, paragraph 11.

NOTE 3 - REVOLVING LOAN FUND

In 1990, the Commission received an Economic Development Administration (EDA) grant of \$472,650 to be used in a revolving loan fund program matched with \$158,377 in local funds. On September 5, 2013 the EDA approved the expansion of the service area of the fund, from 9 counties to 12, to include Clay, Marshall, and Saline Counties. Each of the new counties provided \$17,600 of local matching funds for a total of \$52,800 being added to the capital base of the fund in perpetuity. No more than 100% of the interest received from these loans may be used for documented administrative costs. The Commission cannot leave more than 25% of the funds idle for more than two consecutive semi-annual reporting periods or the overage amount exceeding \$5,000 may be sequestered unless a 6 month extension is granted. The EDA reviews the NCRPC/RLF program by requiring semi-annual reports for periods ending March 31 and September 30 and periodic on-site monitoring.

In fiscal year end 2013 an overpayment on a loan of \$924 was identified. This amount was refunded to the borrower in fiscal year end 2014. As of March 31, 2014, there were 12 loans outstanding totaling \$686,264 with interest rates ranging from 3.25% to 5.00%.

NOTE 4 - COMPENSATED ABSENCES

The Commission's policy is to recognize the costs of compensated absences when actually paid. The Commission's policy regarding vacation leave allows full-time permanent employees to earn one day of vacation for each month of continuous employment. An employee may accumulate a maximum of 15 days at a time. Management estimated a dollar amount of accrued vacation at March 31, 2014 of \$31,486.

Regular full-time employees accumulate sick leave at the rate of one day per month, and may accumulate up to 180 days. Employees are not paid unused sick pay upon termination.

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan description. The Commission participates in the Kansas Public Employees Retirement System (KPERs) a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERs (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERs member-employee contribution rates. Effective July 1, 2009 KPERs has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERs member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer

NORTH CENTRAL REGIONAL PLANNING COMMISSION

NOTES TO THE FINANCIAL STATEMENT

MARCH 31, 2014

NOTE 5 - DEFINED BENEFIT PENSION PLAN, continued

collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

NOTE 6 - LITIGATION

There were no legal actions involving the Commission as of March 31, 2014.

NOTE 7 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the Commission has purchased commercial insurance coverage. In the past three years, the Commission has not had any claims.

SUPPLEMENTAL INFORMATION

NORTH CENTRAL REGIONAL PLANNING COMMISSION
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED MARCH 31, 2014

	General	Homeland Security	Weatherization			Economic Development	Health	Total
			LIEAP	DOE				
Cash Receipts:								
Grant Income and Contracts	\$ 546,579	3,102,943	618,798	304,130	54,900	65,995	4,693,345	
Local Contributions & Dues	60,050	-	-	-	-	-	60,050	
Loan Management	76,178	-	-	-	-	-	76,178	
Rural Tax Credit Program	-	8,232	-	-	-	-	8,232	
EDA Grant Local Match	-	-	-	-	54,900	-	54,900	
Local Health Match	-	-	-	-	-	5,200	5,200	
Interest from Bank	1,898	133	-	-	-	-	2,031	
Reimbursement / Fees	221,067	-	-	-	-	-	221,067	
Miscellaneous Revenue	10,010	-	-	-	-	225	10,235	
Total Cash Receipts:	915,782	3,111,308	618,798	304,130	109,800	71,420	5,131,238	
Expenditures:								
Homeland Security Expenses	-	3,102,175	-	-	-	-	3,102,175	
Salaries and Wages	474,093	-	91,440	57,616	71,419	31,525	726,093	
Payroll Taxes and Benefits	159,406	-	27,397	16,891	18,464	4,922	227,080	
Audit	21,548	-	192	603	500	-	22,843	
Building Repair and Maintenance	248	-	-	-	-	-	248	
Insurance	17,436	-	10,523	8,182	2,872	312	39,325	
Office Supplies	8,098	-	789	537	891	280	10,595	
Dues / Subscriptions	4,758	-	607	378	1,159	75	6,977	
Postage	9,186	-	1,051	787	455	-	11,479	
Occupancy Expense	8,268	-	1,682	1,321	1,670	600	13,541	
Telephone and Utilities	72,352	9	5,901	4,202	1,882	1,365	85,711	
Equipment Rental/Maintenance	7,732	-	1,031	656	870	1,614	11,903	
Materials and Supplies	(752)	-	242,288	121,432	194	12,791	375,953	
Professional Fees	24,803	-	30	60	533	1,425	26,851	
Travel	23,031	-	16,660	13,024	7,761	2,509	62,985	
Transfers Out - Local Match	54,900	-	-	-	-	-	54,900	
Conferences and Seminars	(3,419)	-	3,790	1,963	653	1,155	4,142	
Contract Labor	9,519	-	202,821	101,887	415	1,208	315,850	
Miscellaneous Expense	8,633	(329)	532	292	40	19	9,187	
Total Expenditures	899,840	3,101,855	606,734	329,831	109,778	59,800	5,107,838	
Receipts Over Expenditures								
								23,400
Unencumbered Cash, Beginning								
								512,694
Unencumbered Cash, Ending								
								536,094

NORTH CENTRAL REGIONAL PLANNING COMMISSION
SPECIAL PURPOSE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED MARCH 31, 2014

Revolving Loan Fund

Cash Receipts:

Principal Payments	\$ 142,728
Interest on Loans	30,904
Interest From Bank	635
Closing Costs / Fees	1,679
Local Match	52,800
Total Cash Receipts	<u>228,746</u>

Expenditures:

Salaries and Wages	18,529
Payroll Taxes and Benefits	5,500
Audit	500
Insurance	627
Office Supplies	178
Dues / Subscriptions	31
Postage	184
Occupancy Expense	295
Telephone and Utilities	400
Equipment Rental / Maintenance	235
Materials and Supplies	48
Professional Fees	3,220
Travel	1,094
Loans Granted	148,100
Contract Labor	88
Loan Closing Costs	421
Miscellaneous Expense	10
Total Expenditures:	<u>179,460</u>
Receipts over Expenditures	49,286
Unencumbered Cash, Beginning	<u>199,761</u>
Unencumbered Cash, Ending	<u>249,047</u>

NORTH CENTRAL REGIONAL PLANNING COMMISSION
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED MARCH 31, 2014

GENERAL FUND	<u>Actual</u>	<u>Budget</u>	Variance - Over (Under)
Cash Receipts:			
Grant Income and Contracts	4,693,345	4,254,544	438,801
Local Contributions & Dues	60,050	52,000	8,050
Loan Management	76,178	67,500	8,678
Rural Tax Credit Program	8,232	10,000	(1,768)
EDA Grant Local Match	54,900	54,900	-
Loan Health Match	5,200	5,200	-
Interest from Bank	2,031	3,000	(969)
Interest on Loans	-	18,000	(18,000)
Reimbursement / Fees	221,067	235,000	(13,933)
Miscellaneous Revenue	10,235	19,299	(9,064)
Total Cash Receipts:	<u>5,131,238</u>	<u>4,719,443</u>	<u>411,795</u>
Expenditures:			
Homeland Security Expenses	3,102,175	2,710,649	391,526
Salaries and Wages	726,093	733,534	(7,441)
Payroll Taxes and Benefits	227,080	218,188	8,892
Audit	22,843	21,000	1,843
Building Repair and Maintenance	248	3,000	(2,752)
Insurance	39,325	39,300	25
Office Supplies	10,595	10,300	295
Dues / Subscriptions	6,977	7,500	(523)
Postage	11,479	12,000	(521)
Occupancy Expense	13,541	14,000	(459)
Telephone and Utilities	85,711	90,000	(4,289)
Equipment Rental/Maintenance	11,903	12,000	(97)
Materials and Supplies	375,953	326,000	49,953
Professional Fees	26,851	33,800	(6,949)
Travel	62,985	69,000	(6,015)
Transfers Out - Local Match	54,900	-	54,900
Conferences and Seminars	4,142	6,000	(1,858)
Contract Labor	315,850	300,000	15,850
Miscellaneous Expense	9,187	12,118	(2,931)
Total Expenditures	<u>5,107,838</u>	<u>4,618,389</u>	<u>489,449</u>
Receipts Over Expenditures	<u>23,400</u>	<u>101,054</u>	<u>(77,654)</u>

SINGLE AUDIT SECTION

NORTH CENTRAL REGIONAL PLANNING COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Commerce			
Economic Development Administration			
Support for Planning Organization	11.302	05-83-0495-02	\$ 54,900
Economic Development Administration - Economic Adjustment Assistance			
Revolving Loan Fund	11.307	05-390-2438	666,640
Total U.S. Department of Commerce			<u>721,540</u>
U.S. Department of Energy			
Passed through Kansas Housing Resources Corporation			
Weatherization Assistance for Low Income Persons	81.042	DOE 12	100,000
	81.042	DOE 13	221,611
Total U.S. Department of Energy			<u>321,611</u>
U.S. Department of Health and Human Services			
Passed through Kansas Department of Health and Environment			
Public Health Emergency Preparedness	93.069	PHEP 13	21,998
	93.069	PHEP 14	43,301
			<u>65,299</u>
Passed through Kansas Housing Resources Corporation			
Low Income Home Energy Assistance Program	93.568	2013-LIEAP-12	363,798
	93.568	2013-LIEAP-13	388,864
			<u>752,662</u>
Total U.S. Department of Health and Human Services			<u>817,961</u>
U.S. Department of Homeland Security			
Passed through the Kansas Highway Patrol			
Homeland Security Grant Program	97.067	SHSP FY10	670,793
		SHSP FY11	782,371
		SHSP FY12	1,045,792
		SHSP FY13	626,061
			<u>3,125,017</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,986,129</u>

The accompanying notes are an integral part of this schedule.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED MARCH 31, 2014

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of North Central Regional Planning Commission (the Commission) under programs of the federal government for the year ended March 31, 2014. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position or changes in the financial position of the Commission.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the regulatory basis of accounting prescribed by the State of Kansas in the *Kansas Municipal Audit and Accounting Guide* to demonstrate compliance with the cash basis and budget laws of the State of Kansas, the same basis as the financial statements accompanying this schedule.

NOTE 3 – EDA RLF (CFDA 11.307) CALCULATION

For purposes of completing the Schedule of Expenditures of Federal Awards the EDA RLF grant expenditures are calculated as follows. The balance of RLF loans outstanding at the end of the fiscal year (1) plus, the cash balance of the RLF fund at the end of the fiscal year (2) plus the administrative expenses paid from the RLF fund during the fiscal year (3) times the federal share of the RLF.

(1)	\$ 686,264
(2)	249,047
(3)	29,156
	<hr/>
	\$ 964,467
	x 69.12%
	<hr/>
	\$ 666,640



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Executive Board Members
North Central Regional Planning Commission
Beloit, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of North Central Regional Planning Commission (NCRPC) as of and for the year ended March 31, 2014, and the related notes to the financial statement and have issued our report thereon dated November 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered NCRPC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of NCRPC's internal control. Accordingly, we do not express an opinion on the effectiveness of NCRPC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency, listed as 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NCRPC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

NCRPC's Response to Findings

NCRPC's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit NCRPC's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pottberg, Gassman & Hoffman, Char'd.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
November 19, 2014



Pottberg, Gassman & Hoffman, Chtd.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR ITS MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Executive Board Members
North Central Regional Planning Commission
Beloit, Kansas

Report on Compliance for Its Major Federal Program

We have audited North Central Regional Planning Commission's (NCRPC) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended March 31, 2014. NCRPC's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grant applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on the compliance for NCRPC's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *Kansas Municipal Audit and Accounting Guide*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance that could have a direct and material effect on its major federal program occurred. An audit includes examining, on a test basis, evidence about NCRPC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of NCRPC's compliance.

Opinion on The Major Federal Program

In our opinion, NCRPC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2014.

Report on Internal Control over Compliance

Management of NCRPC is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance we considered NCRPC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on

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compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NCRPC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Pottberg, Gassman & Hoffman, Chartered.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
November 19, 2014

NORTH CENTRAL REGIONAL PLANNING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED MARCH 31, 2014

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statement

1. **The Independent Auditors' Report** expresses an unmodified opinion on the North Central Regional Planning Commission.
2. **The Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with *Government Auditing Standards*** contains a significant deficiency listed below in section II.
3. No instances of noncompliance material to the financial statement of the North Central Regional Planning Commission were disclosed during the audit.
4. **The Independent Auditors' Report on Compliance for its Major Program and on Internal Control in Accordance with OMB Circular A-133** has reported no material weaknesses.
5. The auditors' report on compliance for the major federal award program for the North Central Regional Planning Commission expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this schedule.
7. The program tested as a major program was the U.S. Department of Homeland Security, Homeland Security Grant Program CFDA 97.067.
8. The threshold for distinguishing Type A and B program was \$300,000.
9. The North Central Regional Planning Commission did not qualify as a low-risk auditee.

SECTION II – FINANCIAL STATEMENT FINDINGS

2013-1

- **Criteria** – Preparation of the schedule of expenditures of federal awards (SEFA) should only include federal expenditures for the fiscal year 2014.
- **Condition** – Management prepared SEFA detailed expenditures of \$4,886,508.
- **Effect** – Federal award expenditures on the SEFA required adjustments to 9 grants that totaled \$99,621.
- **Cause** – Management was preparing the SEFA based upon total general ledger expenditures, which includes non-federal expenditures paid by the North Central Regional Planning Commission. The SEFA was not reconciled to the submitted grant reports, which only included federal expenditures.
- **Recommendation** – Management should reconcile the general ledger expenditures to the submitted grant reports prior to preparing the SEFA to ensure that only federal expenditures are captured.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS **FOR THE YEAR ENDED MARCH 31, 2014**

- Response – Management will prepare the SEFA using the grant reports so that only federal expenditures are included, in future years.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

2012-1

- Criteria – Management is responsible for the fair presentation of the financial statements in conformity with the cash basis laws of the State of Kansas.
- Condition – Management requested us to help prepare the draft financial statement and notes to the financial statement.
- Context – At Management's request, we prepared recommended adjustments to the financial statements in conformity with the cash basis laws of Kansas.
- Effect – Management did not use correct cutoff procedures for posting transactions to the financial statements, and made adjustments that affected prior year balances.
- Cause – Management is using accrual methods for some of their financial statement transactions does not have documented policies or procedures related to the preparation of the financial statements and supplemental information, is voiding prior period checks, and posting adjustments in the wrong period.
- Recommendation – Management should adopt year-end procedures to prepare financial statements for audit, and adopt a policy for financial statement review prior to annual audit.
- Response – Management will engage an independent consultant to perform a review of the year-end adjustments, financial statements and related notes to the financial statements for use of cash basis laws of the State of Kansas soon after the NCRPC fiscal year end.
- Current Status – Management engaged a consultant to perform a review of the year-end adjustments, financial statement, and related notes to the financial statement for use of the cash basis laws of the State of Kansas following the Commission fiscal year-end.

2012-2

- Criteria – Management is responsible for compliance with grant agreements applicable to each of its major federal programs.
- Condition – Two contractors paid with ARRA funds did not document compliance with Davis-Bacon Act.
- Context – Documentation of certified payroll reports by two weatherization contractors for payment of employees in compliance with Davis-Bacon Act had not been completed.
- Effect – Some of the work done with federal funds had not been reviewed for compliance by management.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED MARCH 31, 2014

- Cause – Management did not request employee pay rates from two contractors until requested for the audit.
- Recommendation – Management should review each contractor's employee pay rates before payments for services on weatherization projects.
- Response – Management reviewed all payroll reports but two which were not received from the contractors. No underpayment of ARRA funds was found. If Davis-Bacon Act applies to any future grants, NCRPC will inspect the contractors' payroll reports prior to paying for services.
- Current Status – Management verified that no underpayment of contractors was discovered. Management has implemented controls to ensure that if Davis-Bacon Act applies to any future grants, NCRPC will inspect the contractors' payroll reports prior to paying for services.

2012-3

- Criteria – Management is responsible for compliance with grant agreements applicable to each of its major federal programs.
- Condition – Not all contractors paid with ARRA funds were searched on the EPLS system.
- Context – Documentation for the review of weatherization contractors used on the EPLS report had not been completed.
- Effect – Some of the work done with federal funds had not been tested for compliance by management.
- Cause – Management did not realize that subcontractors were being used and therefore direct payment was not made. Management was using vendor list for checking EPLS.
- Recommendation – Management should review each contractor before engaging them and discuss use of subcontractors.
- Response – The saved searches in the former EPLS system did not transfer to the new SAM.gov system in May 2013. Thus, NCRPC lost all its searches. NCRPC has since reviewed each contractor at the time of procurement. Those searches are saved and printed.
- Current Status – NCRPC now reviews each contractor at the time of procurement in the SAM.gov system and saves support to verify the search was performed.

2012-4

- Criteria – Management is responsible for compliance with grant agreements applicable to each of its major federal programs.
- Condition – For FY 2009 not more than three percent of the grant funds may be used for management and administration for SHSP awards.
- Context – General ledger amount over the life of the grant exceeds the three percent of budget limitation.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS **FOR THE YEAR ENDED MARCH 31, 2014**

- **Effect** – This appears to be a questioned cost per the general ledger, but grant reports show that the management and administration costs were equal to the budget and did not exceed three percent.
- **Cause** – A reconciliation between grant reports and the general ledger was not completed across all years of the grant period.
- **Recommendation** – A reconciliation of the general ledger to the grant reports should be completed each year.
- **Response** – Management has reviewed this circumstance and made adjustments so the FY 2009 Management and Administration expense per the financial statements now matches the grant award report. A reconciliation has been completed across all fiscal years of grant awards for the NCRPC FY ended March 31, 2013.
- **Current Status** – At the time reimbursement is requested for management and administrative expenses, management performs a reconciliation between the financial statements and the grant award report to ensure that allowable percent for management and administrative expenses is not exceeded.



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Pottberg, Gassman & Hoffman, Chtd.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 19, 2014

Executive Board Members
North Central Regional Planning Commission
Beloit, Kansas

We have audited the financial statement of North Central Regional Planning Commission (Commission) as of and for the year ended March 31, 2014. We have issued our reports thereon dated November 19, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our letter dated September 19, 2014 and in our meeting about planning matters on September 25, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2014. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Reported Findings

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

There was one finding listed in the schedule of findings and questioned costs. The finding, for an inaccurate SEFA, was considered to be a significant deficiency, as described in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statement Performed in Accordance with *Government Auditing Standards*.

Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. During the audit, \$71,741 of reclassifying entries were recommended and posted by management to adjust Revolving Loan Fund Transactions. These reclassifications did not have an effect on the fund balance. These reclassifications approved and corrected by management are attached to this letter.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the Commission's financial statement or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 19, 2014.

Other Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with your statutory accounting practices, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statement. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statement itself.

Restriction on Use

This information is intended solely for the use of the Executive Board members and management of the Commission and the Kansas Department of Administration, Office of the Chief Financial Officer and is not intended to be and should not be used by anyone other than those specified parties.

Sincerely,

Pottberg, Gassman & Hoffman, Chtd.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas

prepared by _____

NORTH CENTRAL REGIONAL PLANNING COMMISSION
Adjusting Journal Entries

M2182

Page 1

reviewed by _____

TB-2

ssf 11/19/14

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
JE1	Adjusting	03/31/14					
		07-4500	4500 · Interest on Loans	54,462.00			
		07-4800	4800 · Miscellaneous Revenue		1,679.00		
		07-4650	4650 · Principle Payments	209.00			
		07-4999	Transfers In		52,992.00		
		07-5650	5650 · Loan Advances		1,117.00		
		07-5990	5990 · Miscellaneous	1,117.00			
		07-8001	8001 · Transfer to NCRPC (RLF E		14,783.00		
		01-4901	4901 · RLF Expense Reimburseme	14,783.00			
		07-4999	Transfers In	192.00			
		07-5990	5990 · Miscellaneous		192.00		
		07-5380	5380 · Rent		54.00		
		01-5380	5380 · Rent	54.00			
			Adjust RLF to Actual (reclassifications only)			0.00	
JE2	Adjusting	03/31/14					
		07-5990	5990 · Miscellaneous		924.00		
		01-5990	5990 · Miscellaneous	924.00			
			Reclass Lincoln Building Payment per Debra (reclassifications only)			0.00	
		TOTAL		<u>71,741.00</u>	<u>71,741.00</u>	<u>0.00</u>	

NOTE: These suggested ajes for reclassifications within RLF do not need to be posted to the GL, but have been approved for the financial statements by management. The reclassifications between the general fund and the RLF Fund are not material and do not need to be posted to the GL, but have been approved for the financial statements by management.



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MANAGEMENT COMMENTS LETTER

Executive Board Members
North Central Regional Planning Commission
Beloit, Kansas

In planning and performing our audit of the financial statement of North Central Regional Planning Commission (Commission) as of and for the year ended March 31, 2014, we considered NCRPC's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statement and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated November 19, 2014 on the financial statement of the Commission. We will review the status of these comments during our next engagement. We have discussed some of these comments and suggestions with management.

Schedule of Expenditures of Federal Awards (SEFA)

As detailed in Finding 2013-1, the SEFA had various amounts that did not agree with the grant reports submitted. Due to timing issues and amounts that will not be reimbursed by grants the SEFA will not always agree to the profit and loss by class financial statement prepared by management. We have shared a schedule of the corrections for management's use to assist in preparation of the SEFA for your next audit in hopes that this Finding may no longer be necessary.

Payroll Allocations

Again this year, audit found errors with the payroll allocations. None of the errors were significant for the months tested but could add up over time. Pepper has reviewed her current worksheets and made corrections, however, the allocation process is a manual process that has a lot of opportunities for error. We recommend having a review of the current worksheet to ensure all formulas are correct and to see if there are opportunities to simplify the worksheet and build in controls. This issue remains open from the prior year.

If you have any questions concerning these recommendations, we would welcome the opportunity to discuss them with you. We would also like to express our appreciation to all of the staff for their cooperation and assistance during the course of our audit.

This report is intended solely for the information and use by the executive board members and management and is not intended to be and should not be used by anyone other than those specified parties.

Pottberg, Gassman & Hoffman, Chtd.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
November 19, 2014

Pottberg, Gassman & Hoffman, Chtd.